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THRU : Chief, St/I
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14 May 1957

Requirements on European Satellite International Finance
for [REDACTED]

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1. Pursuant to the recent meeting with [REDACTED], the following background information and requirements are submitted:

2. The Satellite Foreign Exchange Shortages.

General Background For the past few years, the European Satellites have had a foreign exchange deficit. Our estimate of the minimum amount of this deficit is \$330 million during 1953-1955. The situation was somewhat improved in 1956 as a result of USSR and Western loans but the deficit apparently still exists. It appears to be most acute in the case of Hungary and East Germany.

REQUIREMENTS

A. General

1. How large a foreign exchange debt can each Satellite carry without undue strain? What is its size now? (Continuing reports as to size are valuable to us).

2. Where gold is used to re-pay debts, is this gold normally Satellite-owned or is USSR gold sold for foreign currency which is made available to the Satellites?

3. Any details on non-Bloc or intra-bloc loans to the European Satellites is needed.

4. What is the level of gold and foreign exchange reserves in each Satellite?

B. Hungary

The pre-revolutionary indebtedness of Hungary to western countries approximated \$200 million. Available information indicates that the Hungarians have continued to meet their obligations to Western coun-

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tries on time since October despite export difficulties resulting from the revolution.

Two CIA reports received in December indicate the following:



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1. Any further information on 1) and 2) above is desired.
2. What is the present level of Hungarian indebtedness to Western countries? What information is available on recent Hungarian re-payments?

C. Poland

In October, 1956, the Polish National Bank inquired of the Federal Reserve Bank of New York whether Polish gold could be sold in the U.S. In January, 1957, a reply was forwarded stating the conditions under which Polish gold could be sold to the U.S. The Poles indicated that they had both Polish and Soviet gold available, and that although they were not interested in sales to the U.S. in January, they might be interested in such sales in the future.

1. What attempts have subsequently been made by Poland to sell gold either in the U.S. or in Europe?
2. What information is available on the level of Polish gold holdings?
3. What information is available on Polish indebtedness to Western countries or on repayment of that indebtedness?

D. Czechoslovakia

In the first six months of 1956, the Netherlands imported 70,000 ounces of platinum from Czechoslovakia (valued at \$7 million),

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which was transhipped to the United States. Since Czechoslovakia produces no platinum it is assumed that the platinum was of USSR origin.

1. In what currency was this transaction paid for? Who received payment - the USSR or Czechoslovakia?

2. Does Czechoslovakia assume a broker's role in USSR sales of precious metals?

3. It has been reported that platinum enters the United States via the Netherlands, [REDACTED] discover the purchaser?

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3. New York Visit of Members of the Polish Trade Delegation.

Members of the Polish trade delegation currently in the U.S. for the purpose of negotiating a U.S. loan to Poland visited New York three to four weeks ago. The purpose of their visit was to confer with private bankers on the possibility of obtaining loans for Poland.

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